



# Missouri Department of Economic Development

## Neighborhood Assistance Program

### Audit Guidelines

These guidelines are not intended to be a complete manual of procedures, nor are they intended to supplant the auditor's judgment of the work required to meet the audit's objectives. These guidelines may not cover all circumstances encountered while performing the program-specific audit, similarly not all procedures will apply to every situation. Auditors must use their professional judgment in determining the work necessary to render the required opinions.

#### **General Requirements**

1. Neighborhood Assistance Program (NAP) projects that have been issued \$25,000 or more in tax credits shall have a financial and compliance audit of the NAP project.
2. The audit must be completed by an independent Certified Public Accountant (CPA) licensed in the state of Missouri and must be conducted in accordance with generally accepted auditing principles. The CPA must be independent and objective to the extent that there can be no vested interest in the audit results.

#### **Timing**

1. One copy of the NAP audit reporting package is to be submitted to the Department of Economic Development no later than 6 months after the close of the NAP fundraising period. The reporting package should be mailed to the following address:  
Neighborhood Assistance Program  
P.O. Box 118  
Jefferson City, MO 65102  
ATTN: Compliance Officer
2. The NAP audit may be performed at the conclusion of the fundraising period or, if the NAP fundraising period extends beyond one year, you may choose to perform an audit annually during the fundraising period or have one overall audit performed at the conclusion of the fundraising period.
3. If you choose to have your NAP audit performed in conjunction with an organization wide financial statement audit and the 6-month deadline noted above cannot be met, an extension of time can be requested from the Department of Economic Development. If an extension is granted the audit will not be eligible for tax credits nor can the audit be paid for out of NAP funds.

## **Specific Requirements**

1. The number and extent of transactions to be tested as part of the audit is a matter of the Certified Public Accountant's professional judgment.
2. The NAP audit reporting package should consist of the following:
  - a. Auditors' report on the NAP project financial statement and report on compliance with the compliance requirements noted below. The reports can be combined or separate.
  - b. Statement of NAP project receipts and disbursements showing NAP project cash and in-kind receipts and disbursements. The statement should also show ending NAP project net assets. Disbursements must be shown separately according to line items previously approved in the project budget.
  - c. Notes to the NAP project financial statement including significant accounting policies and procedures.
  - d. A statement verifying that the contractual obligations contained in Appendix A (outcomes and performance targets) of the NAP Project Agreement have been met, and that appropriate verification tools were used.
  - e. A schedule of findings and questionable costs when applicable. The schedule will include all material noncompliance with provisions of laws, program regulations or the Project Agreement and questioned costs. Because independent auditors do not disallow costs, questioned costs are identified for possible disallowance by the NAP. Whenever possible, identified findings should be quantified and contain the information necessary to facilitate the audit resolution process (i.e. dollar amount of instances of noncompliance).

## **Compliance Requirements**

1. NAP Fund cash contributions paid to the Organization shall be deposited in a bank or other financial institution located in the state of Missouri insured by the FDIC or FSLIC.
2. The audit must provide a record of all receipts and disbursements designated to the NAP fund including receipt of contributions for which the tax credit application has not yet been completed and/or filed with the DED. If a complete record of these transactions is not submitted in the audit package, an audit addendum may be required to detail the receipts and disbursements that are unaccounted for.
3. The accounting records of the Organization must separately track NAP project receipts and disbursements.

## **Compliance Requirements Continued**

4. NAP project disbursements must be supported by adequate documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks, etc.) indicating the proper nature of the expense as it relates to the approved NAP budget.
5. Expenditures of NAP credit contributions are used only for the purpose stated in the NAP Project Agreement with the Missouri Department of Economic Development.
6. NAP contributions are applied only toward costs incurred during the NAP fundraising period unless the expenditure is for the NAP audit expense or specifically approved by the Missouri Department of Economic Development.
7. Adequate documentation is maintained for all in-kind NAP contributions. Documentation should include contribution receipts noting donor name and description of contribution. In addition, the organization should have support for how the fair market value of the contribution was determined.
8. Internal records with regards to contributions must agree with information submitted to the Missouri Department of Economic Development on NAP Tax Credit Applications.
9. The auditor must provide a statement verifying program recognition and signage requirements as outlined in the NAP Project Agreement, Section 10, paragraphs A and B.

## **General Questions and Answers**

**1. Can NAP credits be used to pay for the audit?**

Yes, the audit itself can be donated for credit, or NAP cash contributions can be used to pay for the audit if it has occurred during the six (6) month period following the project period. However, NAP funds used to pay for the audit must have been received during the fundraising period being audited and must be shown in the approved NAP budget. Only the cost of the NAP portion of the audit is eligible for tax credit and approval is subject to Appendix B (Restrictions on NAP Contributions).

**2. If the NAP audit is donated, how is the service valued?**

The value of the service is the hours of service billed at the accounting firm's standard hourly rates.

**3. If the NAP audit is conducted in conjunction with an entity wide financial audit, how is the NAP portion of the audit fees determined?**

You may choose one of the following options:

- a. The auditor may submit an itemized invoice splitting out the NAP portion of the overall audit fee.
- b. If the auditor does not submit a detailed invoice, you may divide the amount of NAP receipts by the total entity revenue and pro-rate the cost of the overall audit accordingly.

**4. What if the NAP funds have not been spent by the time the final NAP audit for the project is completed?**

If the final audit deadline precedes the time that all NAP funds have been spent, the statement of receipts and disbursements would show the balance of unspent funds as ending net assets. The auditor is not responsible for following up on any funds remaining after the auditors' report date. However, the organization being audited should include a letter describing the disposition of the remaining funds with the NAP audit reporting package. Quarterly reports will continue to be due until all funds have been expended.

**5. How is interest earned on NPA funds treated?**

Interest earned on NAP funds is not considered part of NAP project receipts and is, therefore, unrestricted income that is not part of the NAP project audit.

**6. What if the line items or amounts differ from the budget previously approved?**

Project will need to send to NAP a budget amendment form to agree with audit.

**Contact Information**

**Neighborhood Assistance Program  
Attn: Compliance Officer  
Harry S. Truman Building, Room 770  
P.O. Box 118  
Jefferson City, MO 65102  
(573) 526-8716**

## EXAMPLE AUDITORS' REPORT AND STATEMENT

The following is an example of a suggested report format for the NAP project audit. This example is based on an audit issued separately from an entity wide financial statement, with an unqualified opinion and no instances of noncompliance with NAP guidelines noted during the audit.

If the actual report is issued with the entity wide financial statement, is other than unqualified, and/or there were instances of noncompliance with NAP project guidelines noted during the audit, the report would need to be modified according to professional standards.

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Example Project  
Anytown, Missouri

We have audited the accompanying statement of receipts and disbursements - Neighborhood Assistance Program Project #XXX-XXX of Example Project for the period July 1, XXXX to June 30, XXXX. Example Project's Board of Directors and Management provided the information contained in the statement of receipts and disbursements and are responsible for the accuracy of the information contained therein. Our responsibility is to express an opinion regarding this statement based on the audit performed by our agency.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates of cash receipts and disbursements - Neighborhood Assistance Program Project #XXX-XXX. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of receipts and disbursements was prepared to comply with the contractual agreement between Example Project and the Missouri Department of Economic Development, as described in Note 1 and is not intended to be a complete presentation of the financial statements of Example Project.

In our opinion, the accompanying statement of receipts and disbursements presents fairly, in all material respects, the receipts and disbursements of the Neighborhood Assistance Program Project #XXX-XXX for the period July 1, XXXX to June 30, XXXX pursuant to the Neighborhood Assistance Program Agreement referred to in Note 1, in conformity with the basis of accounting described in Note 1.

In connection with our audit, nothing came to our attention that caused us to believe that Example Project failed to comply with the compliance requirements as set forth in the Neighborhood Assistance Program FY XX Agreement insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and Management of Example Project and the Missouri Department of Economic Development and should not be used by anyone other than these specified parties.

Firm's Signature  
City, State  
Report date

## EXAMPLE PROJECT

### STATEMENT OF RECEIPTS AND DISBURSEMENTS - NEIGHBORHOOD ASSISTANCE PROGRAM PROJECT #XXXX-XXX

FOR THE PERIOD JULY 1, XXXX TO JUNE 30, XXXX

#### Receipts:

Contributions - cash	\$ _____
Contributions - in-kind	_____
Total receipts	_____

#### Disbursements:

This statement must list specific budget line items previously approved in budget (project will need to amend budget, if the line items or amounts differ) and the funds disbursed under each line item.

Total disbursements	_____
---------------------	-------

Ending net assets - NAP	\$ _____
-------------------------	----------

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.**

**EXAMPLE PROJECT**

**NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS -  
NEIGHBORHOOD ASSISTANCE PROGRAM PROJECT #XXXX-XXX**

**FOR THE PERIOD JULY 1, XXXX TO JUNE 30, XXXX**

**NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation - The accompanying statement of receipts and disbursements - Neighborhood Assistance Program Project #XXXX-XXX includes the Neighborhood Assistance Program activity of Example Project and is presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In-kind contributions are treated as receipts and disbursements when received.

The information in this schedule is presented in accordance with requirements of the State of Missouri Neighborhood Assistance Program Audit Guidelines.

**DONATED PROPERTY AND EQUIPMENT**

Contributions of property and equipment are recorded as contributions at their estimated fair market value at the date of contribution.